

Message Text

PAGE 01 STATE 290663
ORIGIN EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 IO-13
ISO-00 TRSE-00 SIG-01 FEA-01 ACDA-12 JUSE-00
CTME-00 EPA-01 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 PA-01 AID-05 SS-15 STR-05 ITC-01 PRS-01
SP-02 OMB-01 OPIC-03 SIL-01 NSCE-00 SSO-00
USIE-00 INRE-00 /148 R

DRAFTED BY EB/OT/STA:C H BLUM:CMS
APPROVED BY EB/OT/STA:J S SPIRO
TREASURY:J RAY
EUR/RPE:R LAMANTIA
EA/J:S ECTON (INFO)

-----071077 062202Z /72

O 062024Z DEC 77
FM SECSTATE WASHDC
TO ALL OECD CAPITALS IMMEDIATE
AMEMBASSY BUCHAREST IMMEDIATE
AMEMBASSY BUDAPEST IMMEDIATE
AMEMBASSY BUENOS AIRES IMMEDIATE
AMEMBASSY BRASILIA IMMEDIATE
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USMISSION GENEVA IMMEDIATE
AMCONSUL HONG KONG IMMEDIATE
AMEMBASSY HELSINKI IMMEDIATE
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AMEMBASSY VALLETTA IMMEDIATE
AMEMBASSY MOSCOW IMMEDIATE
AMCONSUL MELBOURNE IMMEDIATE
AMEMBASSY NEW DELHI IMMEDIATE
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AMEMBASSY PRETORIA IMMEDIATE
AMEMBASSY SEOUL IMMEDIATE
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PAGE 02 STATE 290663

AMEMBASSY TEL AVIV IMMEDIATE
AMEMBASSY TAIPEI IMMEDIATE
AMEMBASSY WARSAW IMMEDIATE
AMEMBASSY WELLINGTON IMMEDIATE

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USEEC ALSO FOR EMBASSY; USMISSION ALSO FOR USMTN;

E.O. 11652: N/A

TAGS: ETRD, EIND, EC, JA

SUBJECT: RELEASE OF SOLOMON REPORT ON STEEL

USOECD ALSO FOR EMBASSY

1. FOLLOWING IS TEXT OF TREASURY DEPARTMENT PRESS RELEASE ANNOUNCING RELEASE OF THE REPORT ON THE STEEL INDUSTRY PREPARED BY A TASK FORCE LED BY TREASURY UNDER SECRETARY SOLOMON. POSTS MAY DRAW ON THE RELEASE IN RESPONDING TO INQUIRIES AFTER 3:00 P.M. EST DECEMBER 6.

2. THE PRESIDENT WILL ALSO ISSUE A STATEMENT LATER ON DECEMBER 6. TEXT WILL BE CABLED AS SOON AS AVAILABLE, ALONG WITH HIGHLIGHTS OF SOLOMON'S PRESS CONFERENCE SAME AFTERNOON.

3. BEGIN TEXT. THE PRESIDENT TODAY RELEASED A 35-PAGE REPORT ON THE STEEL INDUSTRY FROM THE INTERAGENCY TASK FORCE, HEADED BY UNDER SECRETARY OF THE TREASURY ANTHONY M. SOLOMON.

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PAGE 03 STATE 290663

THE REPORT RECOMMENDED A "TRIGGER PRICE SYSTEM" TO INITIATE IMMEDIATE INVESTIGATIONS OF POSSIBLE STEEL DUMPING

WITH AN EXPECTED RESOLUTION IN 60 TO 90 DAYS. THE PRESENT PROCEDURE NORMALLY REQUIRES MORE THAN A YEAR.

THE SOLOMON TASK FORCE ALSO SUGGESTED:

. MEASURES TO ENCOURAGE MODERNIZATION OF THE STEEL INDUSTRY;

. HELP FOR WORKERS, FIRMS AND COMMUNITIES IN ADJUSTING TO NECESSARY CHANGES IN THE STEEL INDUSTRY;

. RATIONALIZING ENVIRONMENTAL REGULATIONS APPLYING TO THE STEEL INDUSTRY, WITHOUT ANY RELAXATION OF BASIC ENVIRONMENTAL GOALS;

. SPEEDING UP THE JUSTICE DEPARTMENT'S ANTI-TRUST EVALUATIONS OF POSSIBLE STEEL INDUSTRY MERGERS AND JOINT VENTURES, INCLUDING THOSE FOR RESEARCH AND DEVELOPMENT TO IMPROVE PRODUCTION TECHNOLOGY, WITH RECOGNITION THAT EFFECTS ON COMPETITION HAVE TO BE DECIDED CASE-BY-CASE;

. CONSIDERATION OF POSSIBLE REFORMS TO IMPROVE EFFICIENCY AND LOWER COSTS IN THE TRANSPORTATION SYSTEMS

SERVING THE STEEL INDUSTRY;

. EXAMINATION OF THE ADEQUACY OF FEDERAL RESEARCH AND
DEVELOPMENT FUNDING IN THE STEEL INDUSTRY, AND

. ESTABLISHMENT OF A COMMITTEE OF INDUSTRY, LABOR AND
GOVERNMENT REPRESENTATIVES TO WORK COOPERATIVELY ON THE
PROBLEMS OF THE INDUSTRY WITHOUT INTERFERING IN COLLEC-
TIVE BARGAINING.

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PAGE 04 STATE 290663

THE TASK FORCE REPORT, WHICH ALSO INCLUDES ANALYSIS OF
THE NATURE AND CAUSES OF THE INDUSTRY'S PROBLEMS, WAS
FORWARDED TO THE PRESIDENT BY THE ECONOMIC POLICY GROUP
STEERING COMMITTEE, CHAIRED BY SECRETARY OF THE TREASURY
W. MICHAEL BLUMENTHAL.

SECRETARY BLUMENTHAL SAID: "THESE RECOMMENDATIONS CAN
PLAY A VITAL ROLE IN RESTORING A HEALTHY, EFFICIENT AND
COMPETITIVE AMERICAN STEEL INDUSTRY.

"OUR AIM IS TO MAINTAIN COMPETITION WITHOUT UNFAIR
TRADE, TO MODERNIZE OUR FACILITIES AND INCREASE OUR
PRODUCTIVITY.

THE PROGRAM RECOMMENDED BY THE TASK FORCE CAN BE
CARRIED OUT WITH A MINIMAL IMPACT ON INFLATION AND ONLY
A SMALL EFFECT ON THE FEDERAL BUDGET. IT MAINTAINS OUR
COMMITMENT TO ENVIRONMENTAL QUALITY. THE PROGRAM DOES
NOT COMPROMISE OUR COMMITMENT TO ENFORCEMENT OF THE ANTI-
TRUST LAWS. IT SEEKS TO AVOID DIRECT GOVERNMENT
INVOLVEMENT IN THE STEEL INDUSTRY WHILE FACILITATING AN
ENVIRONMENT IN WHICH THE AMERICAN STEEL INDUSTRY,
PRIMARILY THROUGH THE EFFORTS OF ITS WORKERS AND FIRMS,
CAN GAIN STRENGTH AND PROSPER."

TRIGGER PRICE SYSTEM

THE "TRIGGER PRICE" SYSTEM WOULD FACILITATE ENFORCEMENT
OF THE EXISTING U.S. ANTIDUMPING ACT.

"TRIGGER" PRICES FOR PRODUCT GROUPS OF ALL CARBON AND
ALLOY STEEL IMPORTS WOULD BE BASED ON ESTIMATES FROM THE
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PAGE 05 STATE 290663

BEST AVAILABLE EVIDENCE OF FULL PRODUCTION COSTS OF THE
MOST EFFICIENT STEEL PRODUCING INDUSTRY (CURRENTLY JAPAN).
THE "TRIGGER" PRICES WOULD BE REVISED QUARTERLY AND WOULD

INCLUDE TRANSPORTATION AND INSURANCE COSTS FROM JAPAN TO EACH MAJOR IMPORTING REGION FOR EACH PRODUCT GROUP.

THE U.S. CUSTOMS SERVICE MONITORING SYSTEM WOULD IMMEDIATELY ALERT THE TREASURY WHEN STEEL WAS IMPORTED FROM ANY SOURCE BELOW THE "TRIGGER" PRICE. THE CUSTOMS SERVICE WOULD ALSO COLLECT, ON A CONTINUOUS BASIS, INFORMATION CONCERNING STEEL PRICES, COSTS OF PRODUCING STEEL AND THE CONDITION OF THE DOMESTIC INDUSTRY. WITH THIS INFORMATION, THE TREASURY COULD, IF WARRANTED, PROMPTLY INITIATE A "FAST TRACK" INVESTIGATION OF SUSPECTED DUMPING. IN CONTRAST, UNDER CURRENT POLICY, TREASURY INVESTIGATES DUMPING ONLY WHEN IT RECEIVES A PETITION, WHICH REQUIRES LENGTHY PREPARATION, FROM AN AFFECTED INDUSTRY. THE INVESTIGATION THEN NORMALLY REQUIRES 13 MONTHS.

UNDER SECRETARY SOLOMON STATED THAT "USE OF THE FAST TRACK 'TRIGGER PRICE' MECHANISM SHOULD OPERATE TO PREVENT DUMPING AND THEREBY ALLOW THE U.S. INDUSTRY TO RECAPTURE THE SALES LOST TO IMPORTS PRICED BELOW FAIR VALUE."

THE "TRIGGER PRICE" SYSTEM WOULD NOT PREVENT ANY PERSON, DOMESTIC OR FOREIGN, FROM EXERCISING ITS RIGHTS UNDER THE LAW TO FILE PETITIONS OR CONTEST ANY DECISION OF THE TREASURY DEPARTMENT UNDER THE LAW. NOR IS IT TO BE

REGARDED AS A "MINIMUM PRICE"-SETTING MECHANISM. ITS SOLE FUNCTION IS TO PERMIT CONSTANT REVIEW OF PRICES, AND, IF APPROPRIATE, EXPEDITED ANTI-DUMPING ACTIONS. IMPLEMENTATION OF THE "TRIGGER PRICE" MECHANISM SHOULD RESULT IN A SUBSTANTIAL ELIMINATION OF THE INJURY THE INDUSTRY CLAIMS IT IS SUFFERING DUE TO IMPORTS AT LESS LIMITED OFFICIAL USE
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PAGE 06 STATE 290663

THAN "FAIR VALUE." THIS SHOULD, IN TURN, ELIMINATE THE NEED FOR THE DOMESTIC STEEL COMPANIES TO MAINTAIN PENDING OR TO FILE FUTURE DUMPING COMPLAINTS, THE REPORT STATES.

THE TASK FORCE ANTICIPATES THAT AS THE WORLD ECONOMY EXPANDS, CURRENT EXCESS STEEL PRODUCTION CAPACITY WILL BE ELIMINATED AND STEEL PRICING PRACTICES IN WORLD MARKETS WILL RETURN TO MORE NORMAL PATTERNS. ACCORDINGLY, THE TRIGGER PRICING SYSTEM WILL BE SUBJECT TO PERIODIC REVIEW AND WILL BE ENDED WHEN CONDITIONS WARRANT.

MODERNIZATION

THE TASK FORCE REPORT RECOGNIZES THAT SOME U.S. STEEL PLANTS OR PARTS OF PLANTS ARE OLDER AND LESS EFFICIENT AND THAT DECLINING INDUSTRY PROFITABILITY AS WELL AS

HEAVY EXPENSES FOR POLLUTION CONTROL IMPEDE THE ABILITY OF THE INDUSTRY TO MODERNIZE AS FAST AS NEEDED.

THE REDUCTION OF UNFAIR IMPORT COMPETITION THROUGH THE TRIGGER PRICE SYSTEM AND MEASURES WHICH ARE EXPECTED TO BE INCLUDED IN THE ADMINISTRATION'S FORTHCOMING GENERAL TAX PACKAGE SHOULD INCREASE DOMESTIC STEEL PRODUCTION AND INDUSTRY EARNINGS AND INCREASE CASH FLOW AND INVESTMENT.

IN ADDITION, THE TASK FORCE RECOMMENDS THAT THE TREASURY DEPARTMENT INVESTIGATE THE FEASIBILITY OF REDUCING THE GUIDELINE LIFE DEPRECIATION OF NEW STEEL INDUSTRY MACHINERY AND EQUIPMENT FROM 18 TO 15 YEARS. THE STEEL INDUSTRY INTENDS TO COMMIT ANY INCREASED CASH FLOW TO STEPPED UP MODERNIZATION EFFORTS WHICH WILL RESULT IN EARLIER REPLACEMENT OF OLDER MACHINERY AND EQUIPMENT.

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PAGE 07 STATE 290663

THE TASK FORCE ALSO RECOMMENDS THAT ADDITIONAL FUNDS BE MADE AVAILABLE FOR INDUSTRIAL LOAN GUARANTEES THROUGH THE COMMERCE DEPARTMENT'S ECONOMIC DEVELOPMENT ADMINISTRATION TO THOSE STEEL FIRMS (1) WITH SERIOUS FINANCIAL PROBLEMS AND LITTLE OR NO ACCESS TO CAPITAL MARKETS; (2) THAT ARE LOCATED IN AREAS OF HIGH AND RISING UNEMPLOYMENT OR

THREATENED LAYOFFS; AND (3) THAT CAN DEVELOP VIABLE PLANS FOR MODERNIZATION, WHICH WILL BE ANALYZED CASE-BY-CASE.

COMMUNITY AND LABOR ASSISTANCE

THE TASK FORCE RECOMMENDS THAT UP TO 20 MILLION DOLS. OF THE REMAINING FY 1978 APPROPRIATIONS FOR THE EDA'S TITLE IX AUTHORITY BE MADE AVAILABLE FOR WORTHWHILE PROPOSALS FROM COMMUNITIES WITH ACTUAL OR THREATENED UNEMPLOYMENT DUE TO CUTBACKS IN STEEL PRODUCTION. TITLE IX FUNDS CAN BE USED FOR A WIDE VARIETY OF PURPOSES TO AID INDIVIDUALS AND BUSINESSES AND TO PROVIDE PUBLIC SERVICES.

ALSO RECOMMENDED IS A FEDERAL REVIEW AND EVALUATION OF ALTERNATIVE USES FOR ABANDONED STEEL FACILITIES AND CONSIDERATION BY EDA AND OTHERS OF FUNDING REQUESTS FOR PROJECTS INVOLVING COMMUNITY OR WORKER TAKEOVERS OF THOSE FACILITIES THAT ARE SHOWN TO BE ECONOMICALLY VIABLE BY HARD-HEADED FEASIBILITY STUDIES.

THE TASK FORCE ALSO URGES THAT THE CONTENT OF THE NEW TRADE ADJUSTMENT ASSISTANCE PROGRAM BE DETERMINED BEFORE CONGRESS CONVENES IN JANUARY 1978.

ENVIRONMENTAL REGULATION

THE TASK FORCE REPORTS THAT THE ADMINISTRATOR OF THE
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PAGE 08 STATE 290663

ENVIRONMENTAL PROTECTION AGENCY WILL PROVIDE NEW OPPORTUNITIES FOR DIALOGUES WITH THE PUBLIC, INCLUDING THE STEEL INDUSTRY, AND WILL COORDINATE FUTURE AIR AND WATER POLLUTION STANDARD-SETTING AND ENFORCEMENT FOR THE STEEL INDUSTRY TO ENSURE THE COMPATABILITY OF THOSE EFFORTS. FURTHER, EPA AND THE OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION WILL COORDINATE THEIR REGULATORY ACTIVITIES TO ENSURE COMPATIBILITY. EPA WILL RE-EXAMINE THE REGULATORY PROCESSES AND STANDARDS WITH A VIEW TO REDUCING RIGIDITIES AND UNNECESSARY BARRIERS TO MODERNIZATION.

...

UNDER SECRETARY SOLOMON SAID THAT THE INTERAGENCY TASK FORCE "HAS CONSULTED WITH INDUSTRY, LABOR, CONGRESSIONAL, IMPORTER AND CONSUMER REPRESENTATIVES AS WELL AS WITH OUR FOREIGN TRADING PARTNERS, THE EUROPEAN COMMUNITY AND JAPAN. THE PROGRAM WOULD NOT REQUIRE SPECIFIC LEGISLATION PRIOR TO IMPLEMENTATION."

THE TASK FORCE STATED THAT IT EXPECTS THAT THE INDUSTRY AND LABOR WILL TAKE ADVANTAGE OF THE OPPORTUNITY PROVIDED BY THIS PROGRAM TO IMPROVE EFFICIENCY, REDUCE COSTS FROM WHAT THEY OTHERWISE WOULD BE AND EXPAND THE UTILIZATION OF PRODUCTIVE CAPACITY, THUS RESTORING THE STEEL INDUSTRY TO SOUND HEALTH. END TEXT.

4. DECONTROL FOLLOWING 3 P.M. EST DECEMBER 6, 1977. VANCE

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PAGE 01 STATE 290663
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INFO OCT-01 ARA-10 ISO-00 /019 R

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DRAFTED BY EB/OT/STA:CHBLUM

APPROVED BY EB/OT/STA:TO'HERRON

ARA/ECP:BBURSON (INFO)

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R 141423Z DEC 77

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

AMEMBASSY PORT OF SPAIN

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FOLLOWING REPEAT STATE 290663 ACTION ALL OECD CAPITALS BUCHAREST
BUDAPEST BUENOS AIRES BRASILIA BOGOTA GENEVA HONG KONG
HELSINKI MEXICO VALLETTA MOSCOW MELBOURNE NEW DELHI MONTEVIDEO
PRAGUE PRETORIA SEOUL SANTO DOMINGO TEL AVIV TAIPEI WARSAW
WELLINGTON DEC 6.

QUOTE LIMITED OFFICIAL USE STATE 290663

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THE STEEL INDUSTRY, WITHOUT ANY RELAXATION OF BASIC
ENVIRONMENTAL GOALS;

. SPEEDING UP THE JUSTICE DEPARTMENT'S ANTI-TRUST
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PAGE 03 STATE 290663

EVALUATIONS OF POSSIBLE STEEL INDUSTRY MERGERS AND JOINT
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PAGE 04 STATE 290663

TRUST LAWS. IT SEEKS TO AVOID DIRECT GOVERNMENT INVOLVEMENT IN THE STEEL INDUSTRY WHILE FACILITATING AN ENVIRONMENT IN WHICH THE AMERICAN STEEL INDUSTRY, PRIMARILY THROUGH THE EFFORTS OF ITS WORKERS AND FIRMS, CAN GAIN STRENGTH AND PROSPER."

TRIGGER PRICE SYSTEM

THE "TRIGGER PRICE" SYSTEM WOULD FACILITATE ENFORCEMENT OF THE EXISTING U.S. ANTIDUMPING ACT.

"TRIGGER" PRICES FOR PRODUCT GROUPS OF ALL CARBON AND ALLOY STEEL IMPORTS WOULD BE BASED ON ESTIMATES FROM THE BEST AVAILABLE EVIDENCE OF FULL PRODUCTION COSTS OF THE MOST EFFICIENT STEEL PRODUCING INDUSTRY (CURRENTLY JAPAN). THE "TRIGGER" PRICES WOULD BE REVISED QUARTERLY AND WOULD INCLUDE TRANSPORTATION AND INSURANCE COSTS FROM JAPAN TO EACH MAJOR IMPORTING REGION FOR EACH PRODUCT GROUP.

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4. DECONTROL FOLLOWING 3 P.M. EST DECEMBER 6, 1977. VANCE
UNQYOTE CHRISTOPHER

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<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, STEELS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE290663
Document Source: ADS
Document Unique ID: 00
Drafter: EB/OT/STA:C H BLUM:CMS
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D770452-1179
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197712111/baaaaeuot.tel
Line Count: 603
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 0bf45dfc-c188-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 119198
Secure: OPEN
Status: NATIVE
Subject: RELEASE OF SOLOMON REPORT ON STEEL
TAGS: ETRD, EIND, EC, JA
To: ALL OECD CAPITALS BUCHAREST MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0bf45dfc-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009